

June 26, 2009

ATTN: LESLIE
HEPLER

M/045/0049

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To: Larry Gerahanna BLM
From: Rick Havenstrite (Desert Hawk Gold Corp.)
Subject: Cactus Mill-- Gold Hill

Since we have had difficulties making contact, I thought I would try it this way--

I am a Professional Mining Engineer (since 1985).

I permitted and operated (4 years) the largest oxide copper heap leach in the State of Nevada-- 6 leach pads totaling 25 million square feet of heap leach pad-- 15 million tons of ore per year. I was also the Manager of Mining (6 years) for a large gold company-- permitting, constructing, and operating 12 separate mining operations which included 5 mills and approximately 20 heap leach pads. 10 years ago, I fully permitted a large oxide copper mining operation in southern Utah which was not developed due to poor economic conditions. I am up to speed on issues relating to the permitting, construction, and operation of both gold and copper mines.

Tired of large mines, I have been looking for years for a project which has a chance to be operated by a smaller company-- mostly now extinct. Last year I was extremely surprised to find the Gold Hill area has several compelling ore bodies which deserve attention. \$20 million has been spent at the site, much of it wasted. At least three ore bodies are highly economic at this time and there will be more.

I have signed an agreement with the Moellers to develop the district. They have admitted having no clue as to how to move it forwards. Looking at their permit at the Cactus Mill, as well as the mill site itself, it is obvious they have struggled mightily. Other than the building, the mill(s) have no commercial value.

I considered leaving the mill outside the deal. After many months of consideration, I decided to approach the thing the way I have in the amendment request sent to Leslie Hepler at DOGM last week. The driving force for this was as follows--

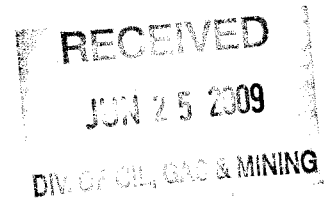
A) The mill site is a pig pen and needs to be cleaned up anyway-- the issue had to be dealt with.

B) Adequate water exists at the site

C) Good roads exist to the site.

D) The mill building can be used as a shop and office.

E) Though the Moellers have lots of private ground-- very little of it is flat and it will be used to process the Kiewit ores-- This permit application will be forthcoming late this year. It made little sense to try to permit this on either sloped private ground or new BLM ground. By putting this at the site I can also get it cleaned up.



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The most compelling ore body (Yellow Hammer) is a mixture of oxide copper and oxide gold which will need to be treated sequentially-- not currently being done anywhere else. We want to take the copper out first and deal with the gold second. This needs to be done in a large scale to prove the pile can be safely reconditioned with lime prior to cyanidation (no cyanidation at the mill site).

I have proposed an 80 mil HDPE liner system continuously covering both the test cells and process area. All ore will be crushed to minus 1" and liner puncturing will not be an issue. This liner is twice as much as would ordinarily be justified-- I do not like leaky facilities.

We expect the crushed and copper depleted ore to be hauled to the proposed gold leach pad in Clifton-- that is the point. However, in the event the crushed ore remains at the site, it will be easy to re-contour and re-claim. We will be measuring the lime necessary to neutralize the pad (would prefer to stay slightly acidic to promote re-vegetation).

We will be adequately funded prior to moving forwards. We are happy to post an agreed bond in excess of simple calculation to show we are serious. I have trained people prepared to live in Gold Hill. I have discussed our plans with a person in Gold Hill who says we are welcome and bring it on.

Finally, I will be making revisions to the permit as requested by DOGM. Would always appreciate comments in advance to make things flow better. Design requirements can be somewhat arbitrary. Understanding your fiduciary responsibilities, I am always happy to bend our plans to make things easier on your end.

Thank you for your time if you made it this far--



Rick Havenstrite P.E.-- President
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Cc: DOGM--Leslie Hepler